



Government of
Saskatchewan

Annual Report 2004-2005

Agri-Food Innovation Fund





Letters of Transmittal	2
Message from the Minister of Saskatchewan Agriculture and Food	3
Board of Directors	4
How AFIF helped agriculture industry growth in Saskatchewan	5
Financial Statements and Board of Directors' Report	6

Agri-Food Innovation Fund Financial Statements for the Year Ended March 31, 2005

Auditor's Report

Statement of Financial Position (Statement 1)

Statement of Operations and Accumulated Surplus (Statement 2)

Statement of Change in Net Financial Assets (Statement 3)

Statement of Cash Flows (Statement 4)

Notes to the Financial Statements (Notes 1 - 7)

Letters of Transmittal

Honourable Mark Wartman
Minister of Saskatchewan Agriculture and Food

Dear Sir:

I am pleased to present herewith the Annual Report of the Agri-Food Innovation Fund for the 12 months ending March 31, 2005.

Respectfully submitted:



Jack Zepp
Chair
Board of Directors
Agri-Food Innovation Fund

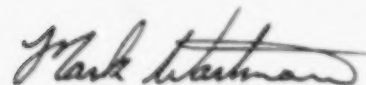
Her Honour the Honourable Dr. Lynda M. Haverstock
Lieutenant Governor
Province of Saskatchewan

July 15, 2005

Your Honour:

I have the honour to submit herewith the Annual Report of the Agri-Food Innovation Fund for the 12 months ending March 31, 2005.

I have the honor to be, Madam, your obedient servant.



Mark Wartman
Minister
Saskatchewan Agriculture and Food

Message from the Minister of Saskatchewan Agriculture and Food

The federal/provincial Agri-Food Innovation Fund Agreement ended March 31, 2003. The province, under the *Agri-Food Innovation Act*, appointed a Saskatchewan Board of Directors to continue to manage the affairs of the fund and ongoing contractual obligations entered into under the agreement. The program has provided a multitude of valuable projects and research results for Saskatchewan's agriculture and food industry since 1995.

With 300 projects in eight key research sectors, the Agri-Food Innovation Fund (AFIF) has created a lasting legacy for agriculture in Saskatchewan and Canada.

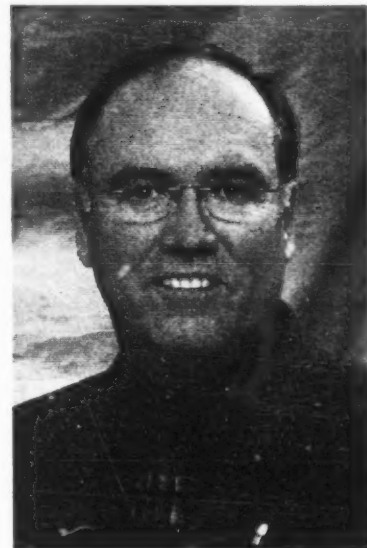
The program demonstrated that extraordinary achievements can be accomplished through cooperation and enthusiasm. AFIF was more than a program — it was an important collaboration of producers, industry, academics and governments, all working together to set and meet the goals.

AFIF has also proved to be an example of how the provincial and federal governments can work together in harmony to obtain the maximum benefit for taxpayers.

Saskatchewan's agriculture and food industry will benefit from AFIF's results and successes for years to come.



Mark Wartman
Minister of Agriculture and Food



Board of Directors

Mr. Jack Zepp, Chair
Acting Assistant Deputy Minister
Saskatchewan Agriculture and Food, Regina

Mr. Don Russell, Director
Mr. Louis Hradecki, Director
Ms. Linda Pipke, Director

Staff management services are provided
through the Agriculture Research Branch of
Saskatchewan Agriculture and Food

How AFIF helped agriculture industry growth in Saskatchewan

The \$91 million Canada-Saskatchewan Agri-Food Innovation Fund (AFIF), established in 1995, has assisted the agricultural sector of Saskatchewan's economy to become stronger and more diversified. More than 300 research, development and infrastructure projects have been undertaken in support of the emerging primary production and value-added processing sectors within the province.

While the Canada-Saskatchewan Agri-Food Innovation Fund Agreement expired March 31, 2003, a new Saskatchewan Board of Directors, appointed under the *Saskatchewan Agri-Food Innovation Act*, will continue to manage the ongoing business of the fund, including projects which were not completed when the AFIF agreement expired.

The Agri-Food Innovation Fund paid \$887,085 to 10 projects during the 12-month period ending March 31, 2005. The funding provided to projects through AFIF will leave a lasting legacy and help Saskatchewan's agricultural economy to continue to grow for years to come.

The Fund focused on eight agriculture sectors:

- Biotechnology;
- Food processing;
- Horticulture;
- Information technology;
- Non-food processing;
- Specialty crops;
- Specialized livestock; and
- Sustainable agriculture.

Some AFIF-supported projects produced an immediate impact on the economy, while others will continue to provide benefits for years to come. The fund is pleased to have invested in the development of several infrastructure, and research and development, projects in the province. Some examples of these investments are listed below.

The Saskatchewan Food Industry Development Centre in Saskatoon provides production and marketing advice to Saskatchewan food processors, and is the focal point for coordination and delivery of existing and new technical, business, educational and human resource services for the industry.

The Spoke Site Program, now called the Saskatchewan Agri-ARM Program, was initiated under AFIF. The Saskatchewan Agri-ARM (Agriculture-Applied Research Management) Program connects eight regional applied research and demonstration sites into a province-wide network. Each location has an affiliated producer group that sets the research priorities for that site. Agri-ARM sites serve as centres for applied research and demonstration, focusing on increasing value from crops and enhancing production efficiency and environmental stewardship in a region. Agri-ARM provides the forum for government, producers, researchers and industry associations to partner with provincial and regional projects.

In addition, some examples of infrastructure include: the Stockman's Arena in Regina (for specialized livestock), the Crops Processing Development Centre in Humboldt at the Prairie Agricultural Machinery Institute, and vegetable facilities in Outlook.

AGRI-FOOD INNOVATION FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2005

Board of Directors Report

To Members of the Legislative Assembly of Saskatchewan

The Board of Directors of the Agri-Food Innovation Fund of Saskatchewan is responsible for the integrity of the accompanying financial statements and all other information in this 2004-05 Annual Report. It is the responsibility of management to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in Canada.

The integrity of the financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are appropriately recorded in order to permit preparation of financial statements; and, assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal controls based on the premise that the cost of such controls should not exceed the benefits derived therefrom.

The financial statements have been audited by the Provincial Auditor of Saskatchewan. The report to the Members of the Legislative Assembly, stating the scope of the examination and opinions on the financial statements appears on the following pages.



Jack Zepp
Chair,
Board of Directors,
Agri-Food Innovation Fund
June 10, 2005

AGRI-FOOD INNOVATION FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2005



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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Agri-Food Innovation Fund as at March 31, 2005 and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 10, 2005

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

AGRI-FOOD INNOVATION FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	<u>2005</u>	<u>2004</u>
FINANCIAL ASSETS		
Due from General Revenue Fund (Notes 3 & 4)	\$ 3,147,611	\$ 3,985,501
Interest receivable (Notes 3 & 4)	<u>19,609</u>	<u>25,588</u>
	3,167,220	4,011,089
LIABILITIES		
Accounts payable	<u>139,337</u>	<u>126,540</u>
NET FINANCIAL ASSETS (Statement 3)	3,027,883	3,884,549
NON-FINANCIAL ASSETS		
Prepaid expenses	<u>467,707</u>	<u>838,670</u>
ACCUMULATED SURPLUS (Statement 2)	<u>\$ 3,495,590</u>	<u>\$ 4,723,219</u>

(See accompanying notes to the financial statements)

Statement 2

AGRI-FOOD INNOVATION FUND
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
Year Ended March 31

	<u>2005</u>	<u>2004</u>
Revenue		
Interest revenue (Notes 3 & 4)	\$ 77,493	\$ 124,833
Miscellaneous	<u>---</u>	<u>3,581</u>
Total revenue	<u>77,493</u>	<u>128,414</u>
Expenses		
Contractual services - Strategic Projects	1,304,209	1,136,851
Board expenses	913	1,535
Office supplies	---	412
Communication activities	<u>---</u>	<u>2,460</u>
Total expenses	<u>1,305,122</u>	<u>1,141,258</u>
Deficit for the year	(1,227,629)	(1,012,844)
Accumulated surplus, beginning of year	<u>4,723,219</u>	<u>5,736,063</u>
Accumulated surplus, end of year (Statement 1)	<u>\$ 3,495,590</u>	<u>\$ 4,723,219</u>

(See accompanying notes to the financial statements)

Statement 3

AGRI-FOOD INNOVATION FUND
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
Year Ended March 31

	<u>2005</u>	<u>2004</u>
Deficit for the year	\$ (1,227,629)	\$ (1,012,844)
Acquisition of prepaid expense	(467,707)	(838,670)
Use of prepaid expense	<u>838,670</u>	<u>886,953</u>
Decrease in net financial assets	(856,666)	(964,561)
Net financial assets, beginning of year	<u>3,884,549</u>	<u>4,849,110</u>
Net financial assets, end of year (Statement 1)	<u>\$ 3,027,883</u>	<u>\$ 3,884,549</u>

Statement 4

AGRI-FOOD INNOVATION FUND
STATEMENT OF CASH FLOWS
Year Ended March 31

	<u>2005</u>	<u>2004</u>
Cash Flows from operating activities:		
Refunds from contractors	\$ —	\$ 50,250
Interest received	83,472	136,268
Paid to contractors and suppliers	<u>(921,362)</u>	<u>(1,318,187)</u>
Net decrease in cash and cash equivalents	(837,890)	(1,131,669)
Cash and cash equivalents, beginning of year (Note 2 (c))	<u>3,985,501</u>	<u>5,117,170</u>
Cash and cash equivalents, end of year (Note 2 (c))	<u>\$ 3,147,611</u>	<u>\$ 3,985,501</u>

(See accompanying notes to the financial statements)

AGRI-FOOD INNOVATION FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2005

1. Authority and Definition

The Agri-Food Innovation Fund (Fund) was established effective March 31, 1995 pursuant to Section 3 of *The Agri-Food Innovation Act* as a corporation. The purpose of the Fund is to enhance the diversification of the Saskatchewan agriculture and food industry, support research and development and encourage farmers and rural residents to create economic opportunities and jobs.

On September 25, 1995, the Government of Saskatchewan entered into the Canada-Saskatchewan Agri-Food Innovation Agreement (Agreement) with the Government of Canada to achieve this purpose. On March 31, 2003 the Agreement with the Government of Canada expired. The Fund continues to administer the remaining provincial funding.

The Fund is administered by the Agri-Food Innovation Fund Board.

The Board has entered into contracts with various contractors to carry out projects for the purpose outlined above.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting principles are considered significant:

a) Revenue Recognition

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Funding received from the Federal Government is considered to be externally restricted and as a result is deferred until the program itself incurs expenses.

Funding received from the Government of Saskatchewan is not considered to be externally restricted because the Fund is controlled by the Government.

Interest income is recognized as revenue when earned.

b) **Receivables/Payables**

These financial instruments are both interest and non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the carrying value of these financial instruments approximates fair value.

c) **Cash and Cash Equivalents**

Cash and cash equivalents are comprised of amounts due from the General Revenue Fund.

3. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since they are all controlled by the Government. These financial statements include transactions with other Government agencies.

The Fund earned interest income of \$77,493 (2004 - \$124,833) on monies deposited in the General Revenue Fund. At year end, the Fund had monies deposited in the General Revenue Fund totalling \$3,147,611 (2004 - \$3,985,501).

In accordance with Section 9 of *The Agri-Food Innovation Act*, the Minister of Agriculture and Food may provide to the Fund any supplies and employee services required to carry out its responsibilities. The Fund received office space and administrative services from Saskatchewan Agriculture and Food without charge.

Included in prepaid expenses are amounts paid to related parties of nil (2004 - \$46,395) and included in accounts payable are amounts due to related parties of \$65,000 (2004 - \$28,894).

During the year, the Fund made expenses totalling \$315,501 (2004 - \$416,439) to related parties.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

4. Due From General Revenue Fund

The monies of the Agri-Food Innovation Fund are deposited in the General Revenue Fund. The Agri-Food Innovation Fund's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty-day borrowing rate and the Agri-Food Innovation Fund's daily balance. The average thirty-day borrowing rate for the year was 2.19% (2004 - 2.79%).

5.

Expenses:

The Board approved the budget for expenses at its March 2004 meeting.

6.

Canada did not contribute anything in the year (2004 - nil) under Section 5.3 of the Agreement, as Canada had completed its commitment to the Fund in 2002. Under the Agreement, interest accrues on Canada's contributions until they are spent. Interest on Canada's contributions in the year were nil (2004 - nil).

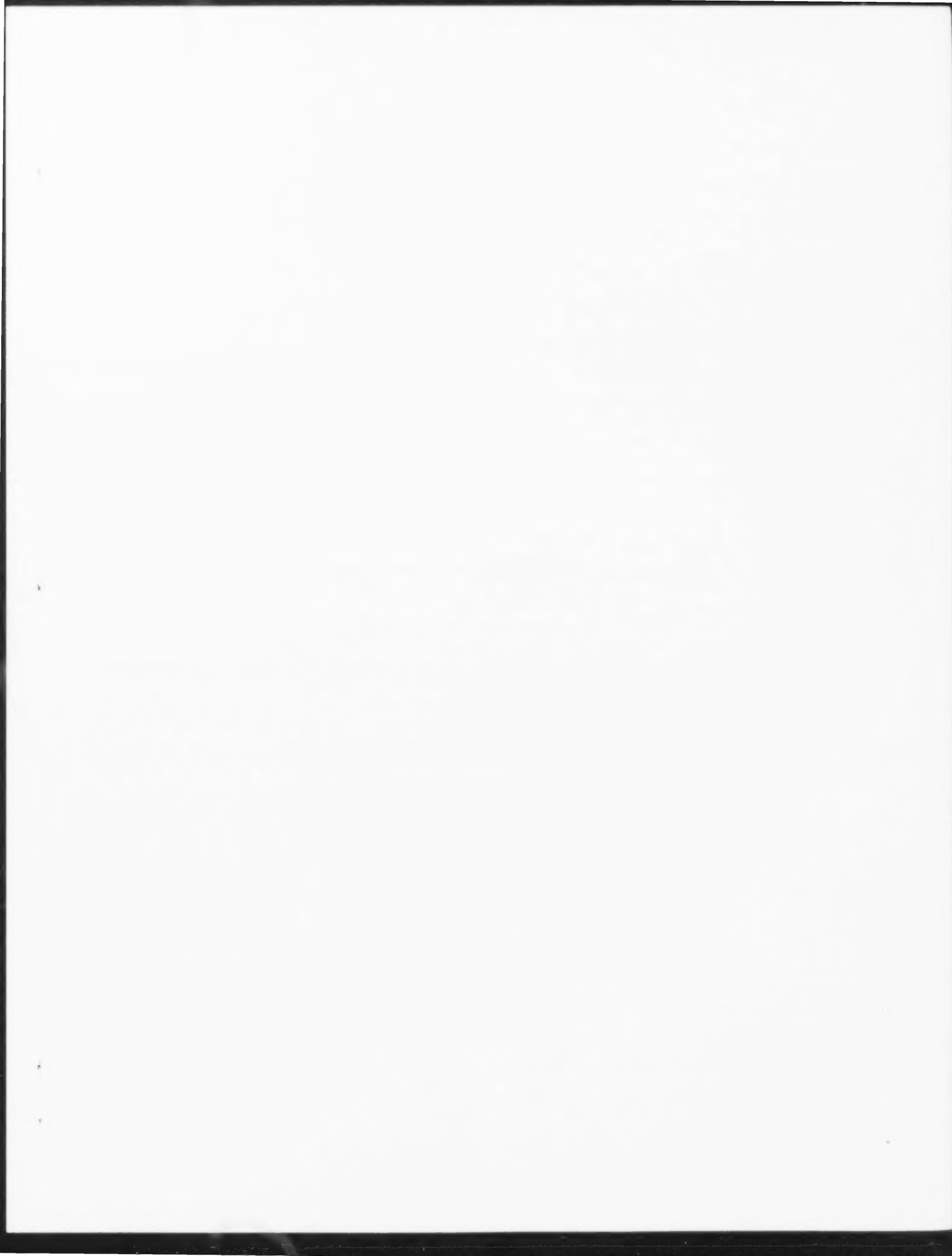
Up until 2003, the Agri-Food Innovation Fund Board approved designated federal agencies to carry out a project or program, and the funding was provided directly to the agency by Canada. As Canada completed its commitment to the Fund in the 2002 fiscal year, since that year there have been no federal agencies designated to carry out projects and Canada did not provide any direct funding.

7.

At March 31, 2005, the Board had approved Strategic Projects that will be expended in future years.

March 31, 2006

\$ 1,940,578





Government of
Saskatchewan

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